

IN THE UNITED STATES DISTRICT COURT  
FOR THE NORTHERN DISTRICT OF CALIFORNIA

STRAIGHT PATH IP GROUP, INC.,

No. C 16-03582 WHA

Plaintiff,

v.

APPLE INC.,

Defendant.

**ORDER RE APPLE'S  
MOTION TO DISMISS  
INDUCEMENT CLAIM**

**INTRODUCTION**

In this patent infringement action, the accused infringer moves to dismiss the patent owner's claim for inducement of infringement. For the reasons stated below, the accused infringer's motion is **GRANTED IN PART** and **DENIED IN PART**.

**STATEMENT**

Plaintiff Straight Path IP Group, Inc., is a non-practicing entity that acquired United States Patent Nos. 6,108,704 ("the '704 patent"), 6,131,121 ("the '121 patent"), 6,701,365 ("the '365 patent"), 7,149,208 ("the '208 patent"), and 6,009,469 ("the '469 patent") via assignment from non-party NetSpeak Corporation. The patents cover processes for point-to-point communications between applications on computers connected to a network, facilitating, *inter alia*, real-time video conferencing.

In 2014, Straight Path sued defendant Apple Inc. for direct and indirect infringement of the '704, '121, '365, and '208 patents, but not of the '469 patent. Straight Path commenced that action in this district, where it was assigned to the undersigned judge and given case number

1 14-4302. The complaint accused Apple's Facetime application, which allowed users of Apple's  
2 mobile and personal computer devices to make and receive video calls, of infringement.

3 Also in 2014, Straight Path commenced separate actions against Cisco Systems, Inc.,  
4 and Avaya Inc., asserting the same patents as well as the '469 patent. Those actions were also  
5 assigned to the undersigned judge pursuant to Patent L.R. 2-1(a).

6 A joint defense group including Cisco, Avaya, and Apple pursued *inter partes* review of  
7 the '704, '121, '365, and '469 patents (but not of the '208 patent). The Patent Trial and Appeal  
8 Board instituted review of the '704, '121, and '469 patents, but not of the '365 patent. The  
9 parties in each of the actions stipulated to a stay of the 2014 actions pending the *inter partes*  
10 review proceedings, but an order denied that request. Straight Path voluntarily dismissed all  
11 three of its actions in January 2015.

12 In June 2016, following a win in the *inter partes* review, Straight Path commenced this  
13 action, accusing Apple of direct and indirect infringement of the '704, '121, '365, and '208  
14 patents (the same four patents asserted in 2014), now asserting the '469 patent as well (which  
15 had only been asserted against Cisco and Avaya in 2014). Straight Path again filed separate  
16 actions against Cisco and Avaya. Straight Path commenced all three of those actions in this  
17 district, where they were again assigned to the undersigned judge pursuant to Patent L.R. 2-1(a).

18 Apple moved to dismiss Straight Path's claims for induced infringement of all five  
19 asserted patents in August. In lieu of a response, Straight Path amended its complaint, and an  
20 order denied Apple's motion as moot. Apple then made the instant motion to dismiss Straight  
21 Path's amended claims for induced infringement. This order follows full briefing and oral  
22 argument.

### 23 ANALYSIS

24 "Whoever actively induces infringement of a patent shall be liable as an infringer."  
25 35 U.S.C. 271(b). A claim for active inducement under Section 271(b) "requires knowledge  
26 that the induced acts constitute[d] patent infringement." *Global-Tech Appliances, Inc. v. SEB*  
27 *S.A.*, 563 U.S. 754, 766 (2011). Induced infringement also requires proof that the accused  
28 inducer "possessed a specific intent to encourage another's infringement of the patent."

1 *Vita-Mix Corp. v. Basic Holding, Inc.*, 581 F.3d 1317, 1328 (Fed. Cir. 2009).

2 Apple contends that Straight Path has failed to plead both the requisite knowledge and  
3 the requisite intent as to each of its claims. This order addresses each issue in turn.

4 **1. KNOWLEDGE.**

5 In *Commil USA, LLC v. Cisco Systems, Inc.*, 575 U.S. \_\_\_, 135 S. Ct. 1920, 1928 (2015),  
6 the Supreme Court clarified that the knowledge standard set forth in *Global-Tech* required proof  
7 not only that the accused inducer of infringement had “knowledge of the patent” but also “proof  
8 the defendant knew the acts were infringing.” That is, a claim for induced infringement cannot  
9 lie where the accused inducer reasonably reads the patent’s claims to exclude the induced  
10 conduct, simply because it knew those acts “might infringe” if that reasonable claim  
11 construction was not adopted. *Ibid.*

12 Straight Path alleges that Apple knew of the ’704, ’121, ’365, and ’208 patents (but not  
13 the ’469 patent) and that its customers’ use of Facetime infringed those patents based on the  
14 2014 complaint accusing Apple of infringement of those patents. Apple does not deny  
15 knowledge of the patents asserted in 2014 but contends that the 2014 complaint was insufficient  
16 to charge Apple with knowledge that its customers’ use of Facetime infringed those patents.<sup>1</sup>

17 Apple cites *Neology, Inc. v. Kaspsch Trafficcom IVHS, Inc.*, No. 13-2052, 2014 WL  
18 4675316, at \*3–4 (D. Del. Sept. 19, 2014) (Judge Christopher J. Burke), and *Pragmatus AV,*  
19 *LLC v. Yahoo! Inc.*, No. 11-902, 2013 WL 2295344, at \*1 (D. Del. May 24, 2013) (Judge  
20 Leonard P. Stark), for the proposition that a patent owner cannot plead knowledge of  
21 infringement based solely on allegations that the accused inducer received materials identifying  
22 the patents and the accused products. Those decisions both involved bare-bones allegations that  
23 failed to provide even a summary of the scope of the asserted patents. Straight Path’s 2014  
24 complaint, however, went beyond merely identifying the patents and the accused products and  
25 actually summarized the claim limitations that it contended were met (paraphrasing in a way  
26 that indicated Straight Path’s interpretation of the scope of the patents) and identified the

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28 <sup>1</sup> As a threshold matter, Straight Path may not use this litigation to seek money relief as to  
infringement that post-dated the complaint unless it later supplements its complaint. Thus, this order does not  
address whether Apple can be charged with knowledge of infringement based on the *instant* complaint.

1 product, Facetime, that met those claim limitations (Pl.’s Opp., Exh. 1 ¶¶ 16, 19, 27, 30, 38, 41,  
2 49, 52). Notwithstanding that distinction, Apple contends that Straight Path’s 2014 complaint  
3 still falls short of the materials that could support a claim for induced infringement.

4 Apple next cites *Windy City Innovations, LLC v. Microsoft Corp.*, No. 16-1729, 2016  
5 WL 3361858, at \*4–5 (N.D. Cal. June 17, 2016) (Judge Yvonne Gonzalez-Rogers), wherein the  
6 accused inducers were charged with knowledge that its products infringed the asserted patent  
7 for inducement that occurred after the complaint was filed. The decision in *Windy City* found  
8 the complaint adequately charged the accused inducers with knowledge of infringement. The  
9 decision did not describe or analyze the complaint in detail, but the complaint walked through  
10 the various claim limitations and pointed to components of the accused products that met *each*  
11 claim limitation (Pl.’s Opp., Exh. 2 ¶ 30).

12 Similarly, in *Largan Precision Co, Ltd. v. Genius Electronics Optical Co., Ltd.*, No. 13-  
13 2502, 2013 WL 5934698, at \*3 (N.D. Cal. Nov. 4, 2013) (Judge William H. Orrick), the patent  
14 owner provided the accused inducer with a detailed claim chart prior to filing the lawsuit. The  
15 claim chart “appear[ed] to explain in detail how [the accused infringer’s] lenses, incorporated  
16 into the two identified [accused] products, read on the claims of the patents-in-suit.” *Id.* at \*4.

17 Straight Path’s 2014 complaint was not so detailed as the materials provided to the  
18 accused infringers in *Windy City* or *Largan*. Although it recited claim language and identified  
19 the claim limitations Straight Path contended were met by the accused products, the 2014  
20 complaint did not explain the relationship between those claim limitations and any component  
21 or function of the accused products. On the other hand, the 2014 complaint exceeded the bare  
22 assertions in *Neology* and *Pragmatus*.

23 Notably, Apple does not contend that the 2016 complaint insufficiently alleged direct  
24 infringement claims under *Twombly* and *Iqbal* (which did not apply to Straight Path’s direct  
25 infringement claims in 2014). This order finds that in light of Apple’s immersion in litigation  
26 involving the ’704, ’121, ’365, and ’208 patents beginning in 2014, it is plausible that Apple  
27 performed some analysis of those patents and came to the same conclusions that form the basis  
28 for Straight Path’s direct infringement claims now — allegations Apple declined to challenge as

1 insufficient to support a claim for direct infringement. At this stage, Straight Path is entitled to  
2 discovery into Apple's state of mind as to the patents asserted in 2014.<sup>2</sup>

3 The same cannot be said, however, for Apple's purported knowledge of its infringement  
4 of the '469 patent, which was never asserted against Apple in the 2014 action. Straight Path  
5 contends that Apple gained knowledge of the '469 patent and knowledge that its products  
6 infringed that patent by participating in the joint defense group that challenged that patent in an  
7 *inter partes* review proceeding. It is simply implausible to infer that Apple performed analysis  
8 and concluded that its products infringed the '469 patent based solely on the fact that Straight  
9 Path had asserted it against *others* in Apple's joint defense group but *not against Apple*.  
10 Accordingly, Straight Path's claim for induced infringement of the '469 patent is **DISMISSED**.

11 This order now turns to the intent element as to the remaining patents.

## 12 2. INTENT.

13 To survive a motion to dismiss, a patent owner's complaint "must contain facts  
14 plausibly showing that [the accused inducer] specifically intended [its] customers to infringe"  
15 the asserted patents. *In re Bill of Lading*, 681 F.3d 1323, 1339 (Fed. Cir. 2012). The instant  
16 complaint alleges that even after Straight Path accused Apple's Facetime product in the 2014  
17 action, Apple continued to encourage its customers to use Facetime. Apple contends that  
18 Straight Path's complaint failed to allege the requisite specific intent.

19 Apple offers no explanation for why — assuming it can be charged with knowledge that  
20 use of Facetime infringed the '704, '121, '365, and '208 patents — it cannot then be charged  
21 with intentionally inducing infringement by marketing that very product. Instead, it relies on  
22 inapposite authorities that simply repackage its arguments about the knowledge element,  
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24 <sup>2</sup> Patent L.R. 3-1 requires the party asserting patent infringement to provide detailed infringement  
25 contentions *after* the initial case management conference (and thus well after the complaint has been filed). The  
26 Federal Trade Commission recently identified the "early" disclosure required by Patent L.R. 3-1 as one effective  
means for controlling the asymmetries in discovery costs in infringement suits brought by patent assertion  
entities. FEDERAL TRADE COMMISSION, PATENT ASSERTION ENTITY ACTIVITY 10 n.21 (Oct. 2016).

27 This order notes that our Patent Local Rules were drafted before the abrogation of Form 18. Thus, the  
28 full disclosure of infringement contentions may now be appropriate in the initial pleading. Apple does not  
challenge the sufficiency of Straight Path's direct infringement allegations here, so this order does not address  
the sufficiency of those allegations.

1 already rejected above.

2 Apple cites *Straight Path IP Group, Inc. v. Vonage Holdings Corp.*, No. 14-502, 2014  
3 WL 3345618, at \*2 (D.N.J. July 7, 2014) (Judge Jose Linares), as an example of our very same  
4 plaintiff's inadequately pled claim for induced infringement. There, the prior owner of Straight  
5 Path's patents had sent a competitor a letter identifying the patents and encouraging it to  
6 purchase the patent owner's products. The letter never accused any product of infringing.  
7 When Straight Path later acquired the patents and asserted them against the prior owner's  
8 competitor, it alleged that the competitor had conducted analysis as to whether its products  
9 infringed (or deliberately avoided doing so). The *Vonage* decision held Straight Path's  
10 allegations based on a letter that never actually accused anyone of infringement (unlike the  
11 2014 complaint here) were conclusory and thus dismissed the inducement claims.

12 The *Vonage* decision discussed its holding as a failure by Straight Path to plead specific  
13 intent, but it ultimately rested on the same issue already addressed above: Whether the accused  
14 inducer knew its products infringed the patents. As stated, the allegations plausibly suggest that  
15 in 2014 Apple was so immersed in litigation in asserting the '704, '121, '365, and '208 patents  
16 that it conducted an infringement analysis and reached the same conclusion of infringement  
17 now described in greater detail in the instant complaint.

18 Apple also cites the undersigned judge's decision in *Logic Devices, Inc. v. Apple, Inc.*,  
19 13-2943, 2014 WL 60056, at \*1 (N.D. Cal. Jan. 7, 2014). There, the patent owner accused  
20 Apple of inducing others to infringe simply by "developing, programming, modifying,  
21 enhancing, updating, debugging and/or compiling" versions of the accused software. "Other  
22 than identify who committed the alleged direct infringement . . . and how . . . the complaint  
23 [was] devoid of any facts that Apple knew or should have known its activities would induce  
24 actions by others which constituted infringement . . . ." That decision rejected the patent  
25 owner's argument that the complaint itself provided the requisite knowledge because the patent  
26 had already expired by the time the complaint was filed. Thus, *Logic Devices* rejected the  
27 induced infringement claims because the patent owner failed on the *knowledge* element. *Logic*  
28 *Devices* is inapposite.


1 Here, Apple plausibly became aware that Facetime infringed the '704, '121, '365, and  
2 '208 patents in the manner described in the instant complaint based on its immersion in  
3 litigation involving those patents in 2014. Thus, Apple's promotion of the Facetime product  
4 since 2014 also plausibly supports the inference that it had the specific intent to encourage its  
5 users to infringe. At the pleading stage, that is sufficient to state a claim for induced  
6 infringement.

### 7 CONCLUSION

8 For the reasons stated above, Apple's motion is **GRANTED** as to claims of induced  
9 infringement of the '469 patent and otherwise **DENIED**. Straight Path may not seek leave to  
10 amend the dismissed claim due to futility.

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12 **IT IS SO ORDERED.**

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14 Dated: October 21, 2016.

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17 WILLIAM ALSUP  
18 UNITED STATES DISTRICT JUDGE  
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